Tourism Saskatchewan

2004/2005 ANNUAL REPORT

Culture

"THE MOST ENERGIZING SOURCE OF DRAWING PEOPLE TO WHERE YOU ARE, ARE THOSE FEATURES OF LIFE THAT HAVE BEEN TAKEN UP AND SHAPED, IN SOME FORM, NOT FOR THE OSTENSIBLE PURPOSE OF GATHERING OTHERS TO COME SEE YOU, BUT BECAUSE LIFE TAKES SOMETHING OF POETIC SHAPE FROM THE WAY WE ARE AND THE THINGS THAT WE DO..."

- Rex Murphy, Host of Cross Country Checkup, CBC Radio

Contents

Introduction 2

Minister's Message 4

Corporate Profile 6

Chairman's Message 8

President's Message 10

Sense of Place Positioning 12

Rendez - vous Canada and GoMedia Canada 2005 14

Centenary Homecoming Program 16

Tourism Community Champions 18

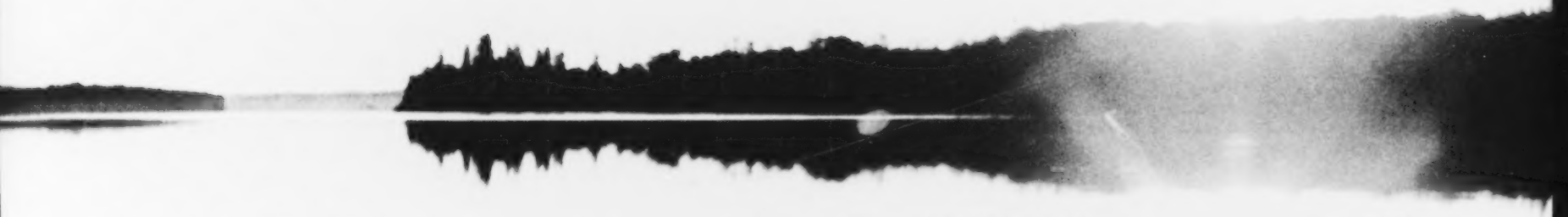
Marketing Milestone 20

Memorandum of Agreement 22

Financial Statements 25

- *Auditor's Report* 26
- *Financial Statements* 27
- *Notes to the Financial Statements* 31
- *Expense Schedules* 38

Contents



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Nearly a decade ago, Tourism Saskatchewan recognized the opportunity the centennial year presented to the province's tourism industry. Initial ideas developed into a strategy, and from that strategy our centennial plans were born.

Cele

In 2005 we saw results of many years of planning and hard work. We saw Saskatchewan host Rendez - vous Canada for the first time, which meant that members of the travel trade and travel media visited our province and returned to homes around the world with glowing reports. We saw communities across the province welcome friends and former residents back for homecomings — in numbers that total in the tens of thousands. We saw innovative ways to reach visitors, and share our unique sense of place with them. We saw inquiries rise to record levels, part of a pattern of growth that's been showing itself for the past five years.

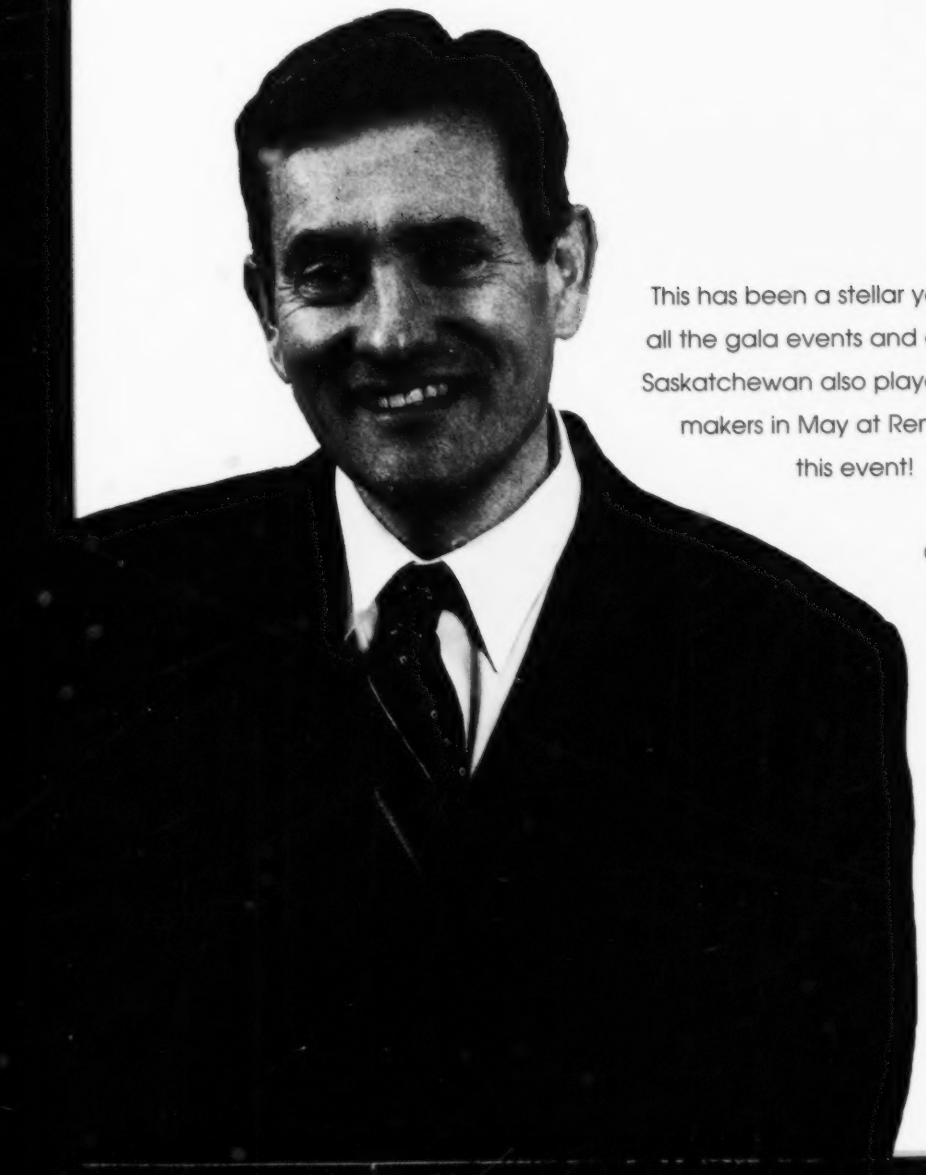
brate

106-04543/

Through all of these accomplishments, we were firmly focused on the future of our industry in Saskatchewan. So every success brought with it not just a centennial memory, but was a step in the strategy for future growth.

As we pause to celebrate these achievements we can also anticipate the successes they will add to 2006 and beyond.

Minister's Message



This has been a stellar year for tourism in Saskatchewan! It was a milestone anniversary, with all the gala events and community celebrations that befit turning one hundred years old. Saskatchewan also played host to the tourism industry's most influential group of travel decision - makers in May at Rendez - vous Canada. Marketing tools don't get any stronger than hosting this event!

Our provincial motto – *From Many Peoples – Strength* – aptly describes what it takes to build a thriving tourism industry such as Saskatchewan's. Consider these figures: Industry and Resources, provides $7 million annually to Tourism Saskatchewan. Tourism in the province generates over $1.4 billion annually. It is an excellent rate of return.

Out of 3,500 tourism - related businesses, most are small, independently owned and operated businesses. But there is nothing small about the 22,000 people employed in tourism.

We are entering a new century with unprecedented growth in many of our key sectors. Exciting things are happening. Saskatchewan has a great story to tell and no one does a better job of packaging everything that is real and good about our province than Tourism Saskatchewan.

Thanks to the members and staff at Tourism Saskatchewan for your continuing good work, and best wishes for the year ahead.

Eric Cline, Q.C.
Minister
Industry and Resources

Saskatchewan Centennial 2005

Saskatchewan Industry and Resources

"Used to be that Saskatchewan was considered a nondescript kind of place, easy to draw on a map of Canada, as one colleague put it, known more famously for growing the stuff that went into a good beer than as a place to enjoy one, as another quipped. Not anymore. Saskatchewan is the place to be in 2005."

- CanadaScope

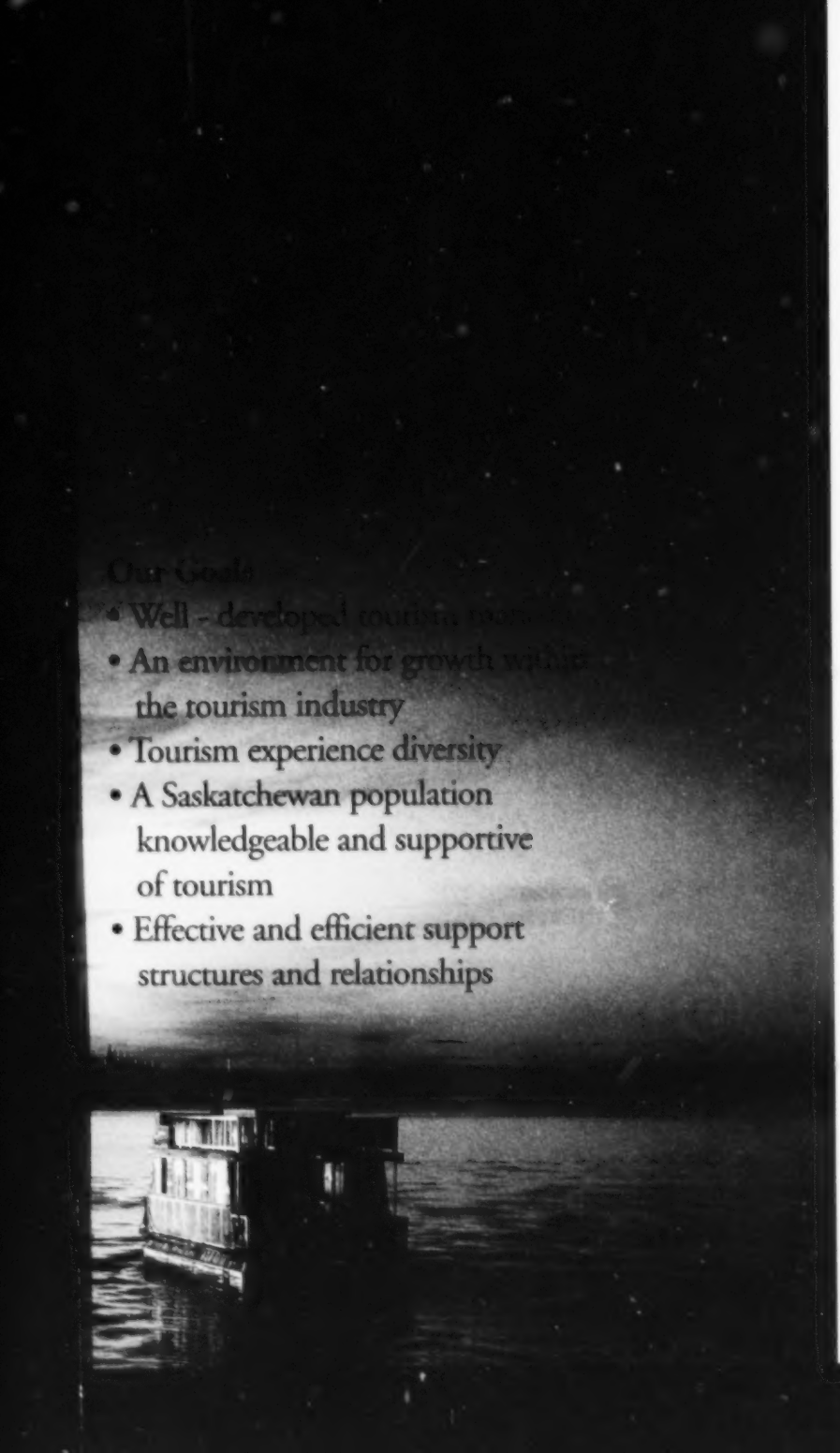
Essence

Our Vision

Tourism is a vital, growing and sustainable economic sector.

Who We Are

Tourism Saskatchewan is a board - driven, membership - based, industry/government partnership. More than ten years after its inception, working with members of the tourism industry, the provincial government and other partners, Tourism Saskatchewan carries out a variety of programs and initiatives across a broad range of areas — marketing, education and training, visitor services, industry development, research, membership services and more — to support tourism growth and economic development. The organization strives to be innovative through constant renewal of delivery, and a strong commitment to information technology.


Our Goals
• Well - developed tourism
• An environment for growth within the tourism industry
• Tourism experience diversity
• A Saskatchewan population knowledgeable and supportive of tourism
• Effective and efficient support structures and relationships

Celebrating 10 Years

October 1, 2004 marked the ten - year anniversary of Tourism Saskatchewan's ground-breaking industry/government partnership. In true Saskatchewan style, this was the first such partnership in Canada, and has paved the way for other provinces and territories to develop their own models.

The Saskatchewan Tourism Authority was established by an Act in the provincial legislature that created an independent organization devoted to advancing tourism in the province. The result was a market - driven, industry - led partnership, and the benefits were immediate.

Growth from that point has been strategic and exponential. An experienced staff is now responsible for education and training, marketing efforts around the globe, strategically planning for industry and product development, visitor and information services, support of tourism public awareness and tourism policy and research.

Membership has grown from 150 in 1994 to nearly 2,000 in 2004. Annual traveller expenditures in the province have increased to roughly $1.4 billion. The jobs of more than 60,000 people are partly or wholly supported by tourism and the industry is one of the fastest - growing sectors of the provincial economy.

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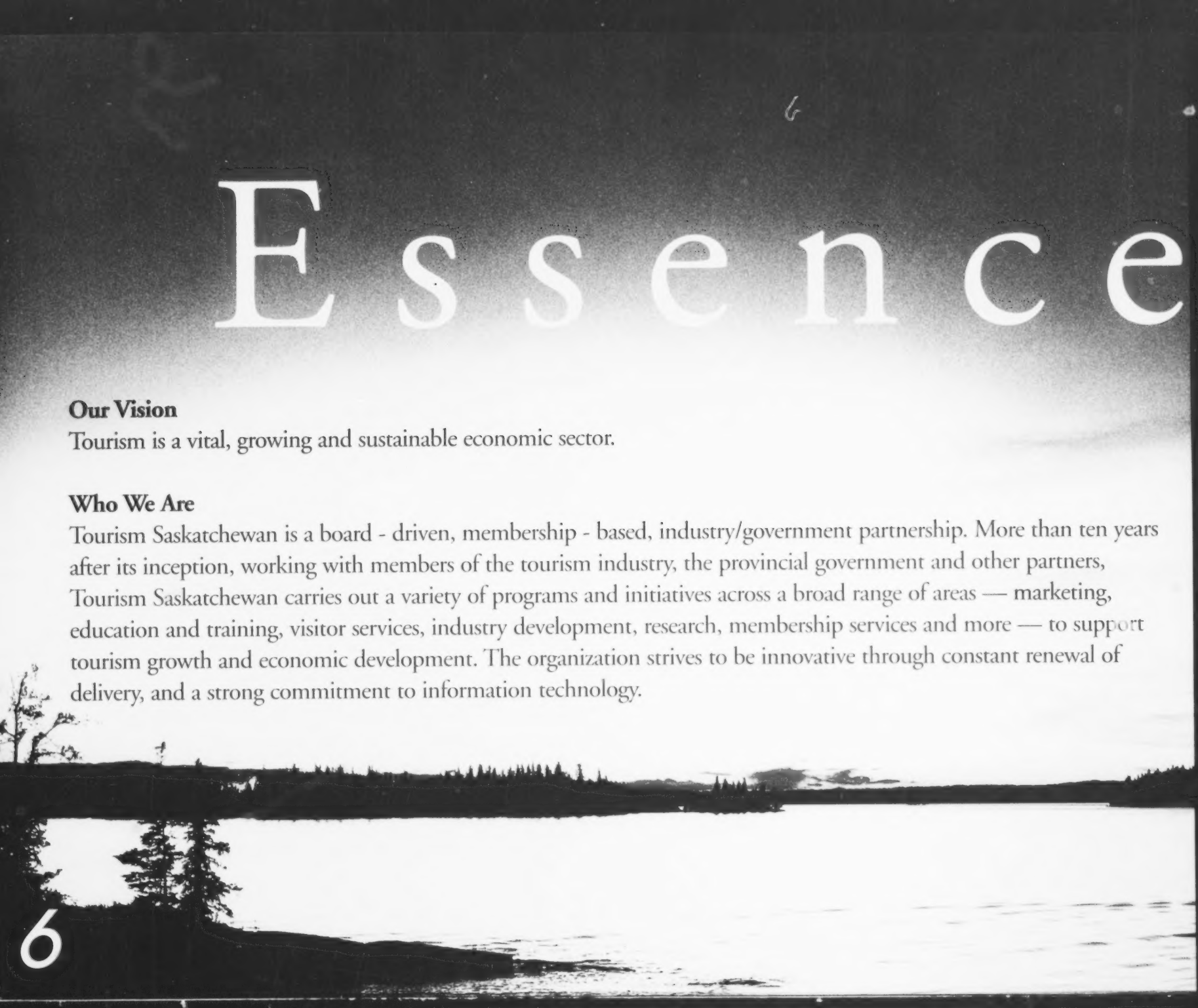

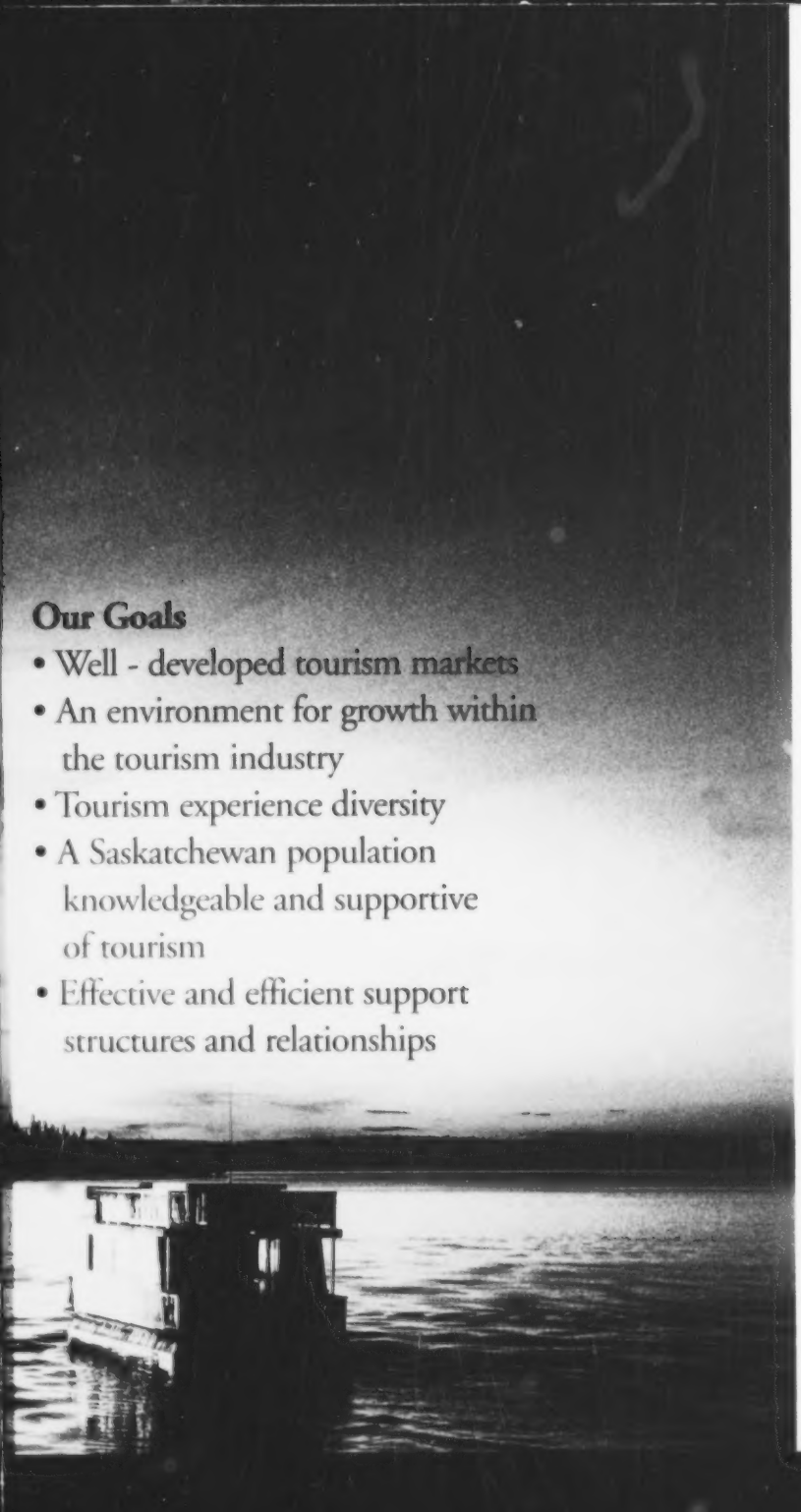

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Chairman's Message

Growt

As an organization that encompasses staff, members, regions and partners, Tourism Saskatchewan has been building plans with a collective focus on 2005 for many years. In all of that planning, at every level, one element was emphasized — future growth. That's why you'll see in this report that the successes of the centennial year are all tied to strategic direction for the future of this industry.

This strategic direction set for 2005 will enable the industry to move into 2006 and beyond with great confidence and momentum. As we all share an interest in the sustainable growth of the industry, it is important that we constantly maintain a steady focus on the future.

It takes leadership from everyone involved to bring so many plans and programs together so definitively. To each of you, my congratulations.

The staff of Tourism Saskatchewan also deserve congratulations and thanks. The Tourism Saskatchewan team has taken remarkable steps forward in recent years. Our industry benefits enormously from their dedication. On behalf of the Board of Directors, I offer our sincere appreciation.

Vance McNab
Chairman

Board of Directors as of September 30, 2005

Vance McNab, Chair, Federation of Saskatchewan Indian Nations

Trent Fraser, Vice Chair, elected at large

Donna Carlson - O'Keefe, Saskatchewan Outfitters Association

Philip Chartier, Métis Nation of Saskatchewan

Vickie Clarke, elected at large

Lance Grosco, Hotels Association of Saskatchewan

Bruce Lewis, Prairie Regional Tourism Association

Janet Olsen, Parkland Regional Tourism Association

Kathy Palidwar, elected at large

Hal Sanders, Government of Saskatchewan

Bruce Shepard, Heritage, Arts and Multicultural Communities

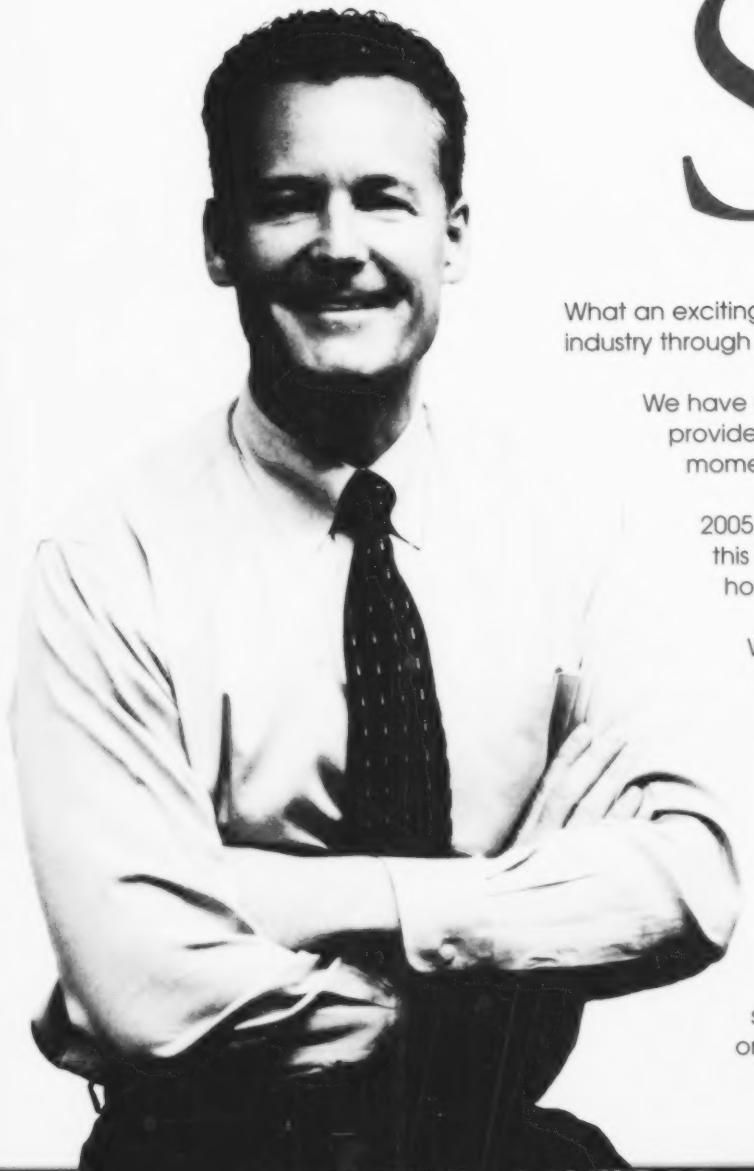
Andrew Turnbull, Tourism Saskatoon

Debbie Wilkie, Government of Saskatchewan

Brian Zawacki, Tourism Regina

To learn more about the Board and its work, please contact the Executive Office of Tourism Saskatchewan at 306-787-0754.

President's Message



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What an exciting year! And what an opportunity for us all to be working on behalf of the tourism industry through our province's centenary.

We have all had our planning focus on 2005 for many years, in recognition of the potential it provided for a banner year, and more importantly, in recognition of the energy and momentum we could build from the centenary for 2006 and beyond.

2005 was the launch year for many Tourism Saskatchewan and industry initiatives, and in this annual report we have attempted to provide a brief overview of these initiatives, and how they represent significant steps in our approach to our longer - term objectives.

While we celebrate the success of these key initiatives in 2005, it is also important that we recognize the maintained commitment of Tourism Saskatchewan's staff to the core support they provide to industry each year. Over 200,000 consumer inquiries were directly serviced by our team, hundreds of aboriginal youth were trained leading to their successful employment in our industry, communities were provided direct consultative support in the preparation of community tourism plans, media familiarization tours were hosted, the core travel publications were produced, our industry website continued to evolve, and our organization's finances were kept in order.

I must express my sincere appreciation and thanks to our staff for their focus, as well as the additional effort they put forward to help us meet our obligations and strategic interests in 2005. And to our Board, for their time and commitment to our organization.

S S

It is important that we recognize the Government of Saskatchewan's continued commitment to tourism, managed through the Department of Industry and Resources under the leadership of Minister Eric Cline. For the second year in a row, core funding to Tourism Saskatchewan has increased. This support is critical, as the demands of growing the industry continue to require greater strategic investment.

In closing, on behalf of our industry, I would like to formally thank the thousands of volunteers who took up the challenge, and became the community drivers behind the thousands of events that were held across Saskatchewan this year. From the Davidson Homecoming to the Canada Summer Games, the work of volunteers resulted in more sales for our industry, and allowed us to plan with Centennial legacies in mind.

We now set our sights on 2006 and beyond with the knowledge that we were successful in our planning, and our industry will benefit from the work of 2005 for many years to come.

Roy Anderson
President/CEO

2005 Highlights:

"Sense of Place" Positioning

Rendez - vous Canada and GoMedia Canada

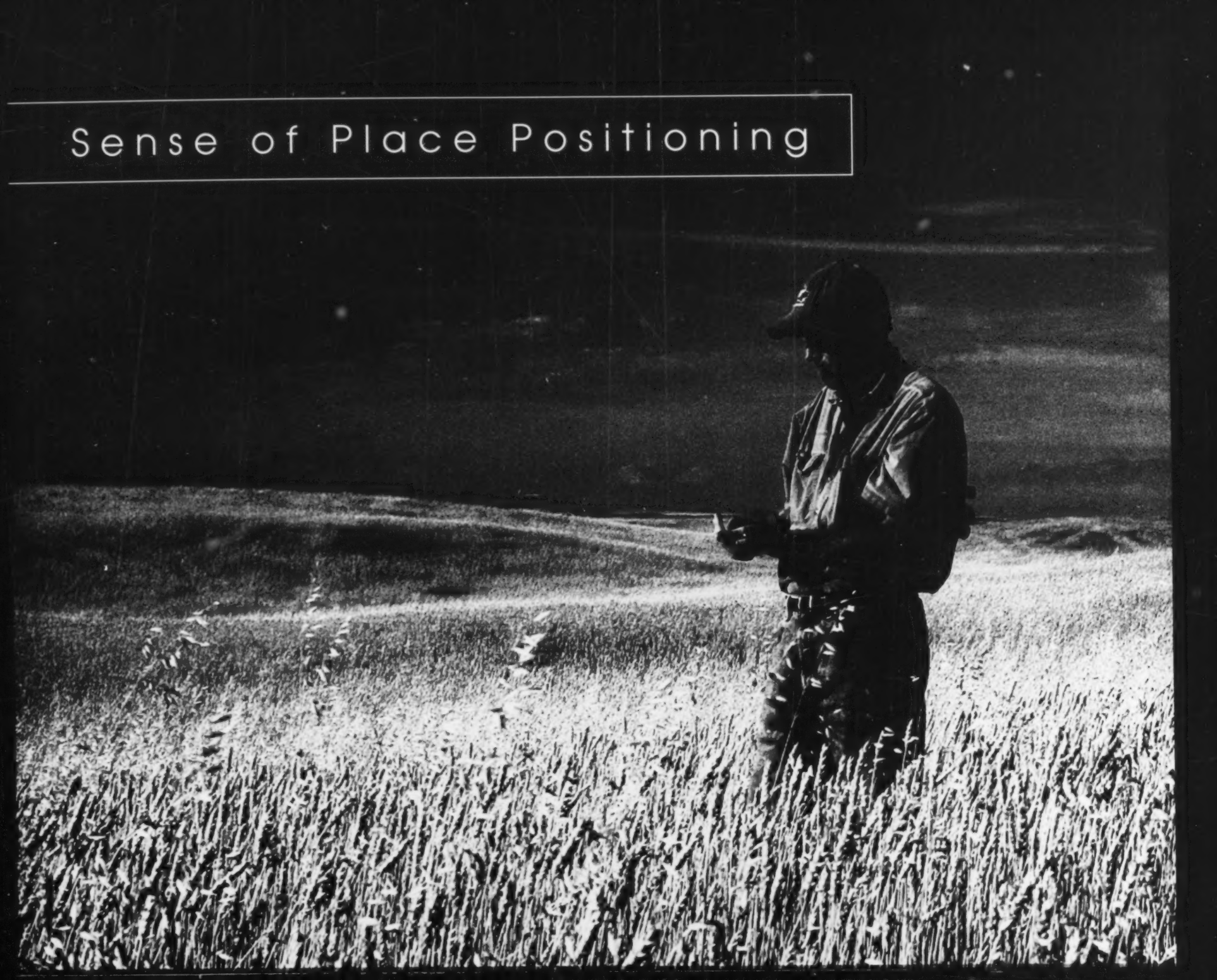
Centenary Homecoming Program

Tourism Community Champions

Marketing Milestone

Memorandum of Agreement with Regions

Sense of Place Positioning



Tourism Saskatchewan has adopted a market positioning strategy that speaks to Saskatchewan's unique 'sense of place'. This approach is based upon the competitive features and values drawn from the truism that 'the land has shaped a unique people and culture'. These features are used to create brand emotion, which competitively positions our industry's diverse cultural and natural offerings. Presented with 'heart and soul', and supported by our current tag 'Land of Living Skies', the sense of place positioning allows us to present Saskatchewan experiences with a distinctive and competitive character.

The translation of sense of place positioning into tactical communication is a function of use of imagery and messaging. The current creative approach makes use of residents as opposed to tourists, emphasizing the authentic cultural fabric of Saskatchewan. These elements have been incorporated into our advertising and promotional activities, as well as a new promotional video "From the Heart", launched at Rendez - vous Canada 2005.

"You have a sentiment to the land around you.... You can't rid yourself of that — it's something within you. The area that you grew up in and live in, the skyline and the hills... it's all so familiar to you. And that's a lot of what keeps you here, you know? It's home. It's roots."

- Places in Our Heart video

Strategic Direction:

As the lead top - line opportunity of the 2004 - 2007 strategic framework, 'sense of place' positioning was entrenched in Tourism Saskatchewan's advertising and promotion in 2005. The principles will be maintained and further profiled in the coming years, with key initiatives directed at further linking the values to product and experience presentation.

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Rendez-vous Canada and GoMedia Canada 2005

Tourism Saskatchewan focuses marketing efforts on two key segments - the consumer market and travel influencers. These influencers, travel trade and travel media, are both important segments for tourism marketers. Trade representatives have the potential to carry Saskatchewan experiences to their customers in key international markets, while editorials written by travel writers about Saskatchewan and our travel products make their way into travel publications around the world.

Our country's largest annual trade marketplace and travel media events, Rendez - vous Canada (RVC) and GoMedia Canada 2005, were hosted for the first time in Saskatchewan May 7 - 11, 2005. Together, these events brought more than 1,500 delegates, travel buyers and travel writers to Saskatchewan — many for the first time.

Saskatchewan sellers and destination marketing groups received an unprecedented increase of more than 40 per cent in appointment requests from international buyers, an increase over previous years that simply would not have happened had the event not been hosted in our province. During these appointments, Saskatchewan team members had the opportunity to profile their tourism experiences one - on - one with international travel trade representatives.

Delegates were also exposed to Saskatchewan culture through colourful, energetic evening events and city tours. More than 80 delegates also had individual experiences on a range of familiarization tours throughout the province. The international travel trade was introduced to Saskatchewan's unique sense of place as never before. Reaction from delegates was overwhelmingly enthusiastic about the province as a new and authentic destination.

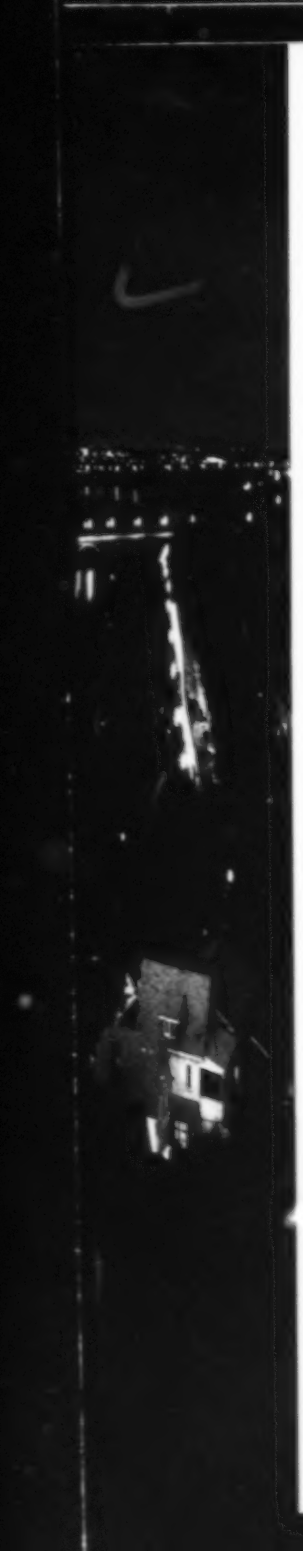
This first Rendez – vous Canada in Saskatchewan was very special. What a warm welcome! We are still marveling at the wonderful hospitality of the Saskatchewan people. We were overwhelmed by the enthusiasm of the volunteers. We have learnt that Saskatchewan is the sunniest part of Canada – but there's sunshine in the people too. A big thank you to all our hosts and to everybody who made our time in Saskatchewan so enjoyable.

- Gordina & Gotthard Scholz
Scholz Canada Tours, Sankt Augustin, Germany

Strategic Direction:

The hosting of RVC and GoMedia is the culmination of a four - year strategic initiative driven by an industry consortium, with support from Tourism Saskatchewan. Concurrent to this initiative, Tourism Saskatchewan hired The Tourism Company to prepare a trade development strategy for implementation in 2005 and beyond.

Based upon the recommendations of the strategy, specific marketing and development activities will be implemented over the next two to three years in an effort to further build the level of business Saskatchewan operators do with national and international travel trade.



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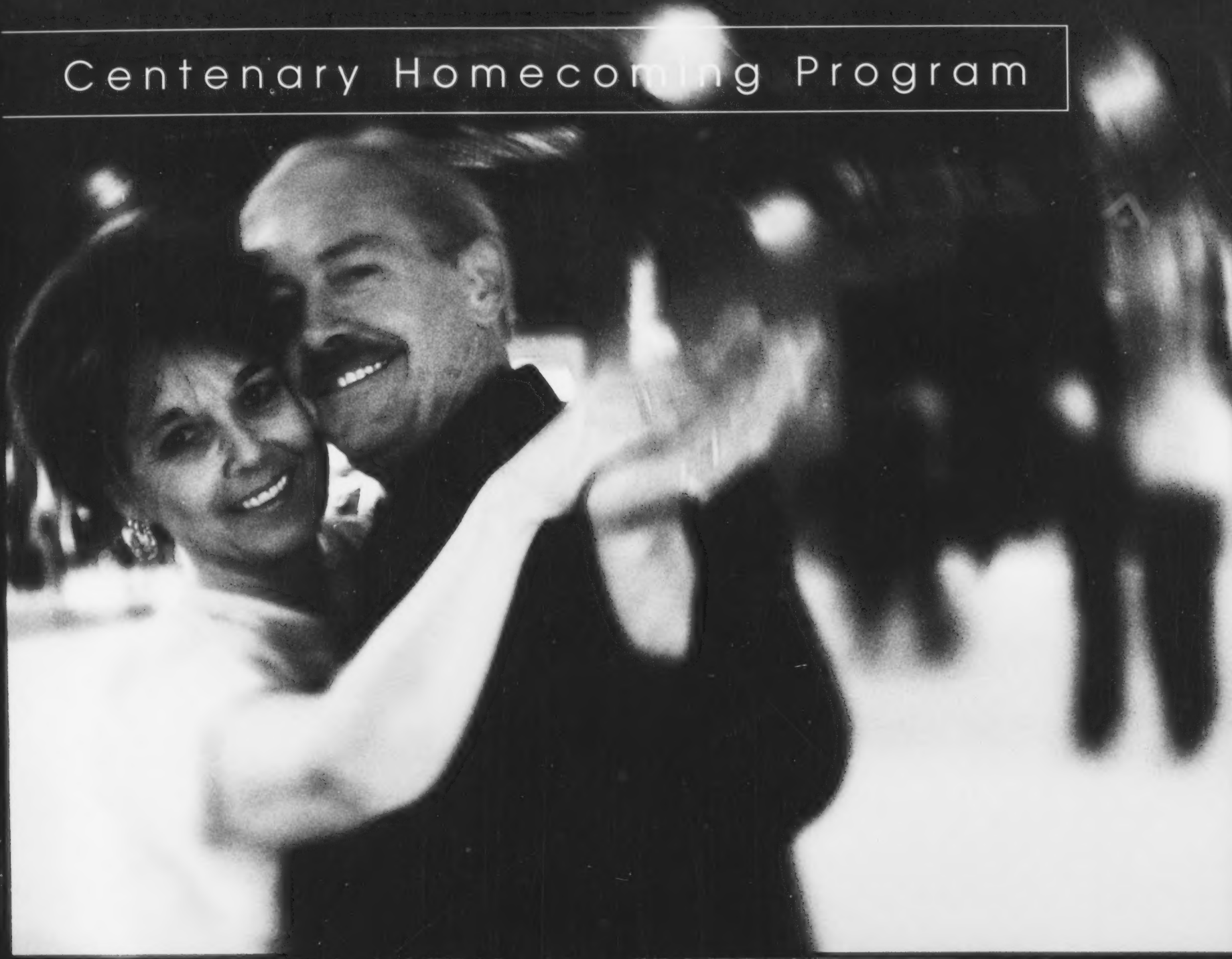
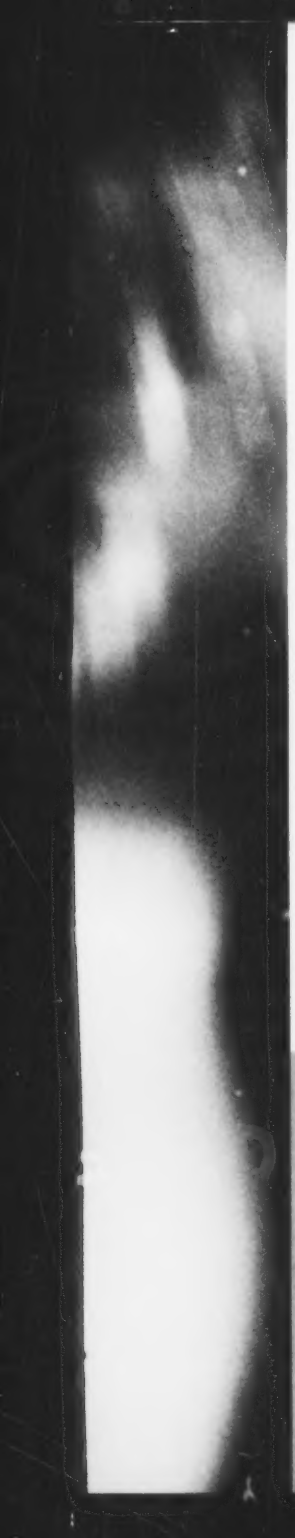
Centenary Homecoming Program





Recognizing the potential tourism has in our communities and the positive contribution it makes toward community development, Tourism Saskatchewan created the Centenary Homecoming Program. Funded by Saskatchewan Centennial 2005, Community Initiatives Fund and Saskatchewan Culture, Youth and Recreation, the program was designed to maximize the tourism impact of homecomings by providing marketing support to community hosting committees, while also creating a marketing and tourism event planning legacy. Through the program, community organizing groups were able to build non - resident participation, establish new marketing opportunities and strengthen planning expertise at the community level.

More than 3,500 events were organized around the province during the centennial year, including over 660 homecoming events. These homecomings played a central role in making this a great year for tourism in Saskatchewan. Nearly 200 communities accessed the Saskatchewan Centenary Homecoming Program for assistance with the costs associated with marketing their events. Funds were used to produce invitations and other direct mail pieces and to mail invitations to potential visitors. Many communities also received funding to participate in larger out - of - province advertising campaigns being coordinated by their local tourism region.

"Our centennial weekend surpassed our wildest dreams. Almost every local resident pitched in in some way to make the weekend a huge success. Our community has never looked so good and we received nothing but positive feedback from the more than 1,000 attendees. It really brought our community together in a cooperative effort which made us all realize we have a lot to be proud of."

- Lafleche Homecoming Committee

Strategic Direction:

The events legacy is the collective knowledge, experience and insights of the thousands of organizers who conceived, planned and staged Saskatchewan's homecoming events. Their perspectives on the hosting experience were shared with Tourism Saskatchewan through follow-up workshops. This input will now be used to modify and/or validate the tourism event 'checklist', a benchmark project of the Cultural Tourism Tactical Team designed to help communities maximize the economic impact of cultural events.

Communities contributed to a common database of all out - of - province invitees, which will be a key marketing asset for targeted marketing by Tourism Saskatchewan in 2006 and beyond.

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Tourism Community Champions

The tourism industry can make a strong contribution to the economic health of a community, and community leaders can play a critical role in creating an environment that supports the growth of tourism. With this in mind, the Tourism Community Champions program was created, piloted, and launched in Saskatchewan in 2005.

Saskatchewan's approach to this program, supported by the Tourism Standards Consortium, was built with direct community delivery in mind. The day and a half workshop was designed to provide community - minded 'champions' with the tools to undertake local, integrated tourism development planning. While Tourism Saskatchewan produced a guide a number of years ago that outlines the steps to take to build a community tourism plan, the Champions program builds on this, breaking down different planning components into specific processes that can be followed in support of tourism development.

A champion leaves the workshop with a stronger familiarity with the industry, a general notion of these planning processes, an understanding of where to get more information — and hopefully, a desire to engage others in their community to accept the tourism challenge.

With the 2005 launch of the program, workshops were held in 10 different communities with more than 140 participants representing over 30 communities across Saskatchewan.

"I leave this workshop excited about what is happening in our community, region and province, and feel motivated to do something to promote events, businesses and our area."
- TCC workshop participant

"This workshop provided a good, solid foundation of community tourism and helps to identify the processes required to take some existing ideas forward."
- TCC workshop participant

Strategic Direction:

Familiarity with tourism planning at the community level contributes strongly to increasing visitor expenditures. Advancing this knowledge, therefore, is a key strategic interest of Tourism Saskatchewan over the mid - term.

The Champions program is the first new delivery targeting this interest, and this workshop will be delivered to more community representatives in 2006. Additional knowledge programs are slated for development in the areas of tourism event planning, sustainable tourism practices, and destination area planning.

Marketing Milestone

People from around the world are learning, in record numbers, about what Saskatchewan has to offer as a travel destination. The 'currency' of our marketing efforts is inquiries, meaning we work to drive viewers of our marketing materials to inquire for information - to go to the website, to email us, to call our information counselors, or to visit one of our reception centres.

In 2005, Tourism Saskatchewan hit a marketing milestone, one million inquiries in one year. In fact, the total number of inquiries for the 2004/2005 fiscal year has exceeded 1.3 million. While this achievement was buoyed by the Centennial, it is consistent with a trend that we have seen over the past number of years that has realized a 58% increase in inquiries since 2000.

Our research indicates that almost one in three of these inquiries were generated directly by Tourism Saskatchewan's 2004 and 2005 advertising and marketing initiatives. While this demonstrates the impact of effectively targeted marketing, the efforts of a range of industry and non - industry initiatives have also contributed. The perception of Saskatchewan is changing across the country, and tourism is definitely benefiting from this trend!

"The rest of Canada – and the rest of the world – is catching on to what we in Saskatchewan have known all along. Saskatchewan is a fantastic travel destination, full of adventure opportunities, authentic experiences and welcoming people."
- Eric Cline, Q.C.,
Minister, Saskatchewan Industry and Resources

"Every member of our organization, member regions, city marketing organizations and our dynamic industry plays a role in building excitement about tourism in Saskatchewan. We've only just begun to expand Saskatchewan's reputation as a new destination of choice."
- Lynn Flury,
Tourism Saskatchewan

Strategic Direction:

Tourism Saskatchewan will continue to lead marketing activities in core markets of interest outside of Saskatchewan. Balanced and targeted media plans with strategic components of advertising, web marketing, marketplace activities, and media relations will be delivered in 2005/06 and 2006/07. Planned media investment each year will exceed $1.3 million.

The creative focus built primarily upon the 'sense of place' positioning will be maintained through the mid - term, with a more aggressive linkage to the promotion of competitive Saskatchewan product and 'experiences'.

Memorandum of Agreement

Tourism Saskatchewan is interested in efficient and effective support structures, and has provided, through the Keeping PACE agreement, financial support to the province's tourism administrative regions and city marketing organizations since 1997. With the sun - setting on this agreement, the Board of Directors engaged industry in a comprehensive discussion on the future direction of the program.

A Board appointed committee comprised of industry representatives, led by the Chair of Tourism Saskatchewan's Board of Directors, worked through an eighteen - month process focused primarily on gathering industry's input. The 'Industry Development Committee' prepared a final report, *Building on Our Strengths* which included a range of recommendations for Tourism Saskatchewan's Board of Directors to consider in the design of a new program.

The lead recommendation called for the drafting of a memorandum of agreement that would provide a common understanding of the key principles, core objectives, and specific partner commitments of the program. In 2005, Tourism Saskatchewan's Board of Directors completed the draft Memorandum of Agreement (MOA), and with the input and approval from the partners to the agreement, prepared it for final signing. The MOA will serve as a basis for the partnership, in support of industry, to September 30, 2010.

"The signing of this agreement represents the growth and development of the relationship between Tourism Saskatchewan and our five tourism regions and two city organizations. With this agreement we have created a strong platform from which to expand the future of tourism in our province."

Vance McNab,

Chair of the Board of Directors

Strategic Direction:

Enhancing relations with industry is a consistent strategic interest of Tourism Saskatchewan. The renewed partnership with the tourism administrative regions and city marketing organizations, and the work that it will represent over the next four to five years, represents a new step.

The partnered work, including the hosting of the first annual industry marketing forum, increased consultation with industry operators, and enhanced industry relations at the community level, will contribute strongly to moving industry relations and support forward in 2006 and beyond.

Tourism Saskatchewan is interested in efficient and effective support structures, and has provided, through the Keeping PACE agreement, financial support to the province's tourism administrative regions and city marketing organizations since 1997. With the sun - setting on this agreement, the Board of Directors engaged industry in a comprehensive discussion on the future direction of the program.

A Board appointed committee comprised of industry representatives, led by the Chair of Tourism Saskatchewan's Board of Directors, worked through an eighteen - month process focused primarily on gathering industry's input. The 'Industry Development Committee' prepared a final report, *Building on Our Strengths* which included a range of recommendations for Tourism Saskatchewan's Board of Directors to consider in the design of a new program.

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Financial Statements

Tourism Authority operating as

TOURISM SASKATCHEWAN

Financial Statements

September 30, 2005

Auditors' Report

Deloitte

To the Members of
Tourism Authority
o/a Tourism Saskatchewan

We have audited the balance sheet of Tourism Saskatchewan as at September 30, 2005 and the statements of operations, changes in net assets (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at September 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
October 27, 2005

Tourism Saskatchewan

Balance Sheet • September 30, 2005

	2005	2004
ASSETS		
CURRENT		
Cash and cash equivalents	$994,344	$1,306,917
Accounts receivable	380,560	605,622
GST receivable (Note 3)	35,065	36,326
Inventory	62,713	100,175
Prepaid expenses	79,066	88,438
	1,551,748	2,137,478
LONG TERM		
Capital assets (Note 4)	1,069,255	934,803
	$2,621,003	$3,072,281
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$342,863	$599,184
Unearned revenue	536,866	903,513
Current portion of deferred contributions related to capital assets (Note 6)	10,000	24,433
Deferred grant contribution (Note 6)	288,125	288,125
Current portion of leasehold improvement loan (Note 7)	51,064	47,857
	1,228,918	1,863,112
LONG TERM		
Deferred contribution related to capital assets (Note 6)	80,000	22,500
Leasehold improvement loan (Note 7)	87,439	138,503
	1,396,357	2,024,115
NET ASSETS		
Invested in capital assets	840,752	701,510
Internal restrictions:		
Partnership Marketing Fund (Note 8)	80,250	86,200
President's Marketing Advisory Fund (Note 8)	74,309	51,690
Initiatives Fund (Note 8)	423,950	306,038
Unrestricted	(194,615)	(97,272)
	1,224,646	1,048,166
	$2,621,003	$3,072,281

See accompanying notes to financial statements.

APPROVED BY THE BOARD:

Director _____ Director _____

Tourism Saskatchewan

Statement of Operations • Year Ended September 30, 2005

	2005	2004
REVENUE		
Operating Grant - Province of Saskatchewan	**$7,165,000**	$7,165,000
Other grants and contributions	**673,048**	100,000
Education and training	**1,349,505**	1,053,465
Partnership	**597,502**	649,706
Advertising	**254,336**	248,462
Retail sales (Note 9)	**205,565**	83,551
Listings	**124,559**	127,080
Membership	**58,163**	56,819
Interest and other	**51,286**	38,798
	10,478,966	9,522,881
EXPENSES		
Administration (Schedule 1)	**1,286,786**	1,254,727
Education and training (Schedule 2)	**1,467,518**	1,373,100
Marketing and advertising (Schedule 3)	**5,572,291**	5,078,435
Membership and visitor services (Schedule 4)	**1,833,677**	1,714,745
Board and committees	**46,545**	36,762
Initiatives fund (Schedule 3)	**32,088**	206,226
Partnership marketing (Schedule 3)	**63,581**	18,135
	10,302,486	9,682,130
EXCESS OF REVENUE (EXPENSES)	**$176,480**	$(159,249)

See accompanying notes to financial statements.

Tourism Saskatchewan

Statement of Changes in Net Assets (Deficit) • Year Ended September 30, 2005

	Invested in Capital Assets	Internally Restricted for Partnership Marketing	Internally Restricted for President's Marketing	Internally Restricted for Initiatives	Unrestricted Operations	Total 2005	Total 2004
BALANCE, BEGINNING OF YEAR	**$701,510**	**$86,200**	**$51,690**	**$306,038**	**$(97,272)**	**$1,048,166**	$1,207,415
Excess of revenue (expenses)	(244,363) [1]	(63,581)	-	(32,088)	516,512	176,480	(159,249)
Invested in capital assets	335,748	-	-	-	(335,748)	-	-
Repayment of leasehold improvement loan	47,857	-	-	-	(47,857)	-	-
Interfund transfers	-	(22,619)	22,619	-	-	-	-
Internally imposed restrictions (Note 8)	-	80,250	-	150,000	(230,250)	-	-
NET ASSETS (DEFICIT), ENDING	**$840,752**	**$80,250**	**$74,309**	**$423,950**	**$(194,615)**	**$1,224,646**	**$1,048,166**

See accompanying notes to financial statements.

(1) Consists of:

Amortization expense	**$276,296**
Amortization of deferred contributions related to capital assets (Note 6)	(31,933)
Decrease in net assets invested in capital assets	**$244,363**

Tourism Saskatchewan

Statement of Cash Flows • Year Ended September 30, 2005

	2005	2004
CASH FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue (expenses)	**$176,480**	$(159,249)
Add (deduct) items not requiring the use of cash:		
Amortization of capital assets	**276,296**	216,208
Amortization of deferred contributions related to capital assets (Note 6)	**(31,933)**	(21,933)
	420,843	35,026
Net change in non-cash working capital items (Note 11)	**(349,811)**	370,570
NET CASH GENERATED FROM OPERATING ACTIVITIES	**71,032**	405,596
CASH FROM (USED IN) INVESTING ACTIVITIES		
Deferred contributions related to capital assets (Note 6)	**75,000**	25,000
Purchase of capital assets	**(335,748)**	(325,473)
Purchase of capital assets from deferred contributions (Note 6)	**(75,000)**	(25,000)
NET CASH USED IN INVESTING ACTIVITIES	**(335,748)**	(325,473)
Cash from (used in) financing activities		
Repayment of leasehold improvement loan	**(47,857)**	(45,544)
NET CASH USED IN FINANCING ACTIVITIES	**(47,857)**	(45,544)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(312,573)**	34,579
Cash and cash equivalents, beginning of year	**1,306,917**	1,272,338
CASH AND CASH EQUIVALENTS, END OF YEAR	**$994,344**	$1,306,917

See accompanying notes to financial statements.

1. DESCRIPTION OF BUSINESS

The Tourism Authority (the "Authority"), operating as Tourism Saskatchewan, was incorporated as a non-profit organization under the Tourism Authority Act and commenced operations on October 1, 1994. The Authority was formed to promote and develop tourism in Saskatchewan on behalf of the tourism industry and the Government of Saskatchewan. Certain assets were transferred to the Authority from the Government of Saskatchewan, Department of Economic Development and Saskatchewan Property Management (SPM).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue Recognition
The Authority follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the expenses relating to the contribution are incurred.

Revenue received by the Authority in advance of the actual performance of services is deferred and is recorded as unearned revenue.

b) Cash and Cash Equivalents
Cash and cash equivalents are comprised of cash and short term market investments with maturities of three months or less.

c) Inventory
Inventory is valued at the lower of cost and net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives. Amortization expense is calculated using the straight-line method at the following annual rates:

Photo library	**10%**
Furniture and equipment	**10% to 20%**
Computer equipment	**33%**
Leasehold improvements	**10% to 20%**
Signs and displays	**20%**
Video and video footage	**10%**

e) Income Taxes

The Authority is incorporated as a non-profit organization and is exempt from income taxes.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

g) Financial Instruments

For certain of the Authority's financial instruments, including cash and cash equivalents, accounts receivable, GST receivable, accounts payable and accrued liabilities, and leasehold improvement loan, the carrying values approximate fair value due to the immediate or short term maturity of these items.

3. GST RECEIVABLE

The Authority claims goods and services input tax credits based upon its level of staff time devoted to generating GST taxable supplies. For the year ended September 30, 2005, the approximate recovery rate was 70% overall. Purchases of goods for resale are eligible for 100% input tax credits.

GST receivable is net of any GST payable.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2005	Net Book Value 2004
Photo library	$632,605	311,068	**$321,537**	$313,081
Furniture and equipment	398,747	337,310	**61,437**	96,169
Computer equipment	310,637	240,091	**70,546**	60,923
Leasehold improvements	477,313	271,192	**206,121**	245,888
Signs and displays	111,693	109,979	**1,714**	3,815
Video and video footage	453,222	45,322	**407,900**	214,927
	$2,384,217	**$1,314,962**	**$1,069,255**	$934,803

5.OPERATING LINE OF CREDIT

The Authority has access to the following operating line of credit, repayable on demand with interest paid monthly at the TD Bank prime rate.

Base operating limit $ 500,000

6. DEFERRED CONTRIBUTIONS

Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent contributions received for the purpose of purchasing capital assets for specific projects.

6. DEFERRED CONTRIBUTIONS (Continued)

During the 2005 fiscal year, contributions of $75,000 (2003/04 - $25,000) related to the purchase of capital assets had been deferred. The contributions are being recognized on the same basis as the related capital assets are amortized. During the year, $31,933 (2003/04 - $21,933) of the deferred contributions related to capital assets has been recognized as a reduction to amortization expense.

Deferred Grant Contribution

Deferred grant contribution represents the accelerated receipt of an operating grant payment from Industry and Resources. Pursuant to the $7,040,000 annual funding agreement, the payment schedule was revised during the 1998/99 fiscal year. The transition to the revised payment schedule resulted in an accelerated payment of $288,125 being received before the Authority's 1998/99 fiscal year end. $288,125 of the annual receipts will continue to be deferred to maintain a level of operating grant revenue consistent with the annual funding agreement.

7. LEASEHOLD IMPROVEMENT LOAN

	2005	2004
The leasehold improvement loan due April 2, 2007 with an interest rate of 6.0%, repayable in monthly installments of $4,832 including principal and interest, secured by capital assets.	$138,503	$186,360
Less due within one year	(51,064)	(47,857)
	87,439	$138,503

8. INTERNALLY RESTRICTED NET ASSETS

a) Partnership Marketing Fund

The Authority has entered into contracts with the tourism regions and industry partners to provide funds for eligible marketing activities to be carried out subsequent to the year-end. During the year, the Authority's board of directors internally restricted $80,250 ($86,200 in 2004) of unrestricted net assets, the maximum amount remaining to be paid out pursuant to these contracts and subject to the regions and partners incurring eligible marketing expenditures by November 30, 2005. These internally restricted amounts are not available for other purposes without approval of the board of directors.

a) Partnership Marketing Fund (Continued)

Changes to the net assets restricted for the Partnership Marketing Fund are as follows:

	2005	2004
Beginning balance	**$86,200**	$22,500
Less expenditures incurred during the year on regional and industry partner marketing activities	**(63,581)**	(18,135)
Less funds transferred to President's Marketing Advisory Fund representing unspent marketing funds from previous year's marketing contracts	**(22,619)**	(4,365)
Add internally imposed restrictions during the year	**80,250**	86,200
Ending balance	**$80,250**	$86,200

b) President's Marketing Advisory Fund

During the year, the Authority's board of directors internally restricted $22,619 ($4,365 in 2004) for the President's Marketing Advisory Fund. The CEO of Tourism Saskatchewan determines provincial marketing campaigns in consultation with the President's Marketing Advisory Council. The additional amount represents unspent marketing funds from the 2003/2004 marketing contracts with the tourism regions and industry partners and is being restricted for this purpose consistent with the recommendation presented in the renewal of the "KEEPING P.A.C.E." agreement of April 2002.

Changes to the net assets restricted for the President's Marketing Advisory Fund are as follows:

	2005	2004
Beginning balance	**$51,690**	$97,325
Internally imposed restrictions during the year	**22,619**	4,365
Interfund transfer to Invested in Capital Assets	**-**	(50,000)
Ending balance	**$74,309**	$51,690

c) Initiatives Fund

The Authority's board of directors internally restricted $150,000 ($Nil 2005) of unrestricted net assets for operational purposes for expenditures to be incurred in fiscal 2006 for activities with the Saskatchewan Tourism Education Council (STEC). These internally restricted amounts are not available for other purposes without approval of the board of directors. Costs of $32,088 were incurred in 2005 relating to prior years restrictions:

8. INTERNALLY RESTRICTED NET ASSETS (Continued)

c) Initiatives Fund (Continued)

	2005	Funds used in 2004	2004
RVC/Trade Initiative	**$58,048**	$2,490	$60,538
Mid-Market Consumer Program	**16,457**	-	16,457
Industry Structure Review	-	26,726	26,726
Industry Development Sector Study	**64,750**	2,872	67,622
Industry Development Priority Initiatives	**80,000**	-	80,000
Web-based Marketing and Research	**54,695**	-	54,695
STEC Training	**150,000**	-	-
Total	**$423,950**	$32,088	$306,038

9. RETAIL SALES

Retail sales are presented net of cost of goods sold of $125,913 ($108,068 in 2003/04). Revenue of $109,000 was earned in 2005 from the sale of the web technology software.

10. COMMITMENTS

Leases

The Authority has entered into leases for office premises in Regina and Saskatoon and Visitor Reception Centres at various locations in the province. The future minimum lease payments are as follows:

2006	$333,461
2007	190,376
2008	190,564
2009	128,438
2010	27,327

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2005	2004
Accounts receivable	**$225,062**	$(363,258)
GST receivable	**1,261**	34,761
Inventory	**37,462**	(24,227)
Prepaid expenses	**9,372**	(37,449)
Accounts payable and accrued liabilities	**(256,321)**	28,799
Unearned revenue	**(366,647)**	731,944
	$(349,811)	$370,570

12. WESTERN ECONOMIC PARTNERSHIP AGREEMENTS

During 2003/04 the Authority entered into an agreement with the Government of Canada to receive $186,250 by March 31, 2006. The agreement requires the Authority to deliver a trade development strategy and to host Canada's premiere travel event called Rendezvous Canada. As of September 30, 2005, $49,422 was set up as an accrued receivable and recognized as income.

During 2003/04 the Authority entered into an agreement with the Government of Saskatchewan and received $558,750 to help fund Rendezvous Canada in 2005 and 2006. As of September 30, 2005, $298,144 had been recognized as revenue.

13. DEFINED CONTRIBUTION PENSION PLAN

The Authority has a defined contribution plan for employees. The Authority's obligations are limited to matching contributions made by the employees for current services. During the year, the Authority contributed $198,664 (2004 - $196,761).

14. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

Tourism Saskatchewan

Schedule of Expenses • Year Ended September 30, 2005

ADMINISTRATION EXPENSES SCHEDULE 1

	2005	2004
Amortization	**$21,993**	$17,486
Bad debts	**4,857**	1,655
Building rental	**41,580**	36,352
Equipment rental	**9,287**	9,311
Insurance	**14,770**	13,987
Interest and bank charges	**21,981**	22,050
Legal	**3,259**	10,018
Postage	**30,042**	37,727
Professional services	**44,304**	49,265
Repairs and maintenance	**17,620**	10,182
Salaries and benefits	**969,172**	950,036
Stationery and supplies	**29,300**	28,295
System consulting/development	**27,133**	14,141
Telephone	**11,248**	11,240
Travel	**40,240**	42,982
	$1,286,786	$1,254,727

See accompanying notes to financial statements.

Tourism Saskatchewan

Schedule of Expenses • Year Ended September 30, 2005

EDUCATION AND TRAINING EXPENSES SCHEDULE 2

	2005	2004
Amortization	$35,433	$28,171
Building rental	60,381	52,790
Professional services	31,111	5,405
Salaries and benefits	709,156	684,259
STEC training costs	539,240	517,659
Travel	92,197	84,816
	$1,467,518	$1,373,100

See accompanying notes to financial statements.

Tourism Saskatchewan

Schedule of Expenses • Year Ended September 30, 2005

MARKETING AND ADVERTISING EXPENSES SCHEDULE 3

	Unrestricted Operations	Internally Restricted Initiatives	Internally Restricted for Partnership Marketing	Total 2005	Total 2004
Advertising and media publicity	**$1,413,126**	-	**$63,581**	**$1,476,707**	$1,434,496
Amortization	**59,380**	-	-	**59,380**	47,211
Association and professional dues	**13,187**	-	-	**13,187**	16,993
Audio visual supplies	**15,242**	-	-	**15,242**	4,040
Building rental	**66,166**	-	-	**66,166**	57,847
Courier and freight	**31,791**	-	-	**31,791**	32,203
Events	**426,312**	-	-	**426,312**	101,323
Partnership Marketing Fund	**1,589,101**	-	-	**1,589,101**	1,363,899
Postage	**54,709**	-	-	**54,709**	50,000
Professional services	**186,548**	**32,088**	-	**218,636**	560,795
Promotional items	**54,984**	-	-	**54,984**	18,470
Salaries and benefits	**1,235,348**	-	-	**1,235,348**	1,227,544
Subscriptions and reference material	**20,867**	-	-	**20,867**	7,560
Telephone	**19,632**	-	-	**19,632**	18,556
Travel	**276,629**	-	-	**276,629**	263,755
Travel show costs	**109,269**	-	-	**109,269**	98,104
	$5,572,291	**$32,088**	**$63,581**	**$5,667,960**	$5,302,796

See accompanying notes to financial statements.

Tourism Saskatchewan

Schedule of Expenses • Year Ended September 30, 2005

MEMBERSHIP & VISITOR SERVICES EXPENSES SCHEDULE 4

	2005	2004
Amortization	**$127,598**	$101,417
Building rental	**193,435**	169,116
Postage	**235,249**	199,453
Printing, publishing and duplication	**83,176**	71,602
Salaries and benefits	**645,867**	652,813
Telephone	**49,832**	49,823
Travel	**12,625**	16,074
Travel literature	**485,935**	454,447
	$1,833,677	$1,714,745

See accompanying notes to financial statements.

Proud Partners in Tourism

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